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GAMBLING COMMISSION
COMM & LEGAL DIVISION

STATE OF WASHINGTON
GAMBLING COMMISSION GOVERNMENT COMPLIANCE
& ENFORCEMENT

ATTORNEY GENERAL
OF WASHINGTON

JAN 14 2011

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12/10/2010

In the Matter of the Suspension or Revocation of
the Licenses to Conduct Gambling Activities of:

Northwest Gaming, Inc.,
d/b/a Ringo's Little Vegas
Spokane, Washington,

Licensee.

NO. CR 2009-01812
CR 2010-00447
CR 2010-00998

SETTLEMENT ORDER

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Office of Administrative Hearings
Spokane

This Settlement Order is entered into between the Washington State Gambling Commission and Ringo's Little Vegas. H. Bruce Marvin, Assistant Attorney General, and Melinda Froud, Lead Staff Attorney, represent the Commission. Dave Malone, of Miller Malone & Tellefson, represents the licensee.

I.

The Washington State Gambling Commission issued Ringo's Little Vegas, organization number 00-20217, the following licenses:

Number 67-00223, Authorizing Class "13" House-Banked Card Room Activity.
Number 05-20041, Authorizing Class "E" Punchboard/Pull-Tab Activity.

The licenses expire on September 30, 2011, and were issued subject to the licensee's compliance with state gambling laws and regulations.

II.

The Director issued Notices of Administrative Charges and Opportunity for an Adjudicative Proceeding seeking the suspension or revocation of Ringo's Little Vegas' licenses to conduct gambling activities to the licensee for: CR 2009-01812 on April 14, 2010, CR 2010-00447 on July 10, 2010, and CR 2010-00998 on September 17, 2010.

Commission staff received the licensee's timely request for a hearing.

The following is a summary of the facts alleged, and the violations charged in the Notices of Administrative Charges:

CR 2009-01812

Ringo's failed to keep supporting documentation for purchases made with Ringo's credit/debit card. As a result, Ringo's violated a March 2009 Settlement Order.

CR 2010-00447

Thomas Schaefer, Ringo's General Manager, Accounting Manager, and partial owner, extended credit to himself when he took \$100 from the lottery register and used it to play poker. As a result, Ringo's violated an April 2008 Settlement Order.

Mr. Schaefer's actions, habits, and reputation of taking money out of a register and putting it in his pocket, taking money from a register to play poker, and taking money from the lottery vending machine into his office instead of the cage also demonstrate that Mr. Schaefer creates or increases the likelihood of unfair or illegal practices, methods, and activities in the conduct of gambling activities.

CR 2010-00998

The licensee failed to disclose an August 2007 change in ownership until August 2010, and the licensee did not timely submit the required information for a change in ownership.

On the licensee's July 16, 2010, Transfer Application-Change of Business Classification, the licensee made false or misleading statements that Thomas and Linda Schaefer were shareholders of Northwest Gaming, Inc.

Previous Administrative Actions

In June 2009, the licensee entered into a Settlement Order to resolve administrative charges for surveillance violations. The licensee agreed to a five-day suspension, with four days deferred for one year and one day vacated by a fine and costs. (CR 2009-00249)

In March 2009, the licensee entered into a Settlement Order to resolve administrative charges for failure to timely report a \$40,000 loan signed by owner Thomas Schaefer and failure to timely report owner Thomas Schaefer's bankruptcy filing. This was also a violation of a previous Settlement Order. (CR 2008-01367 & 2009-00167)

In April 2008, the licensee entered into a Settlement Order to resolve administrative charges for violating its Internal Controls (ICs). Ringo's ICs state, "Only those customers over the age of 19 are allowed in the gaming area." However, Ringo's allowed an 18 year-old in the gaming area and the 18 year-old gambled at a black jack table. The licensee agreed to a three-day suspension, with two days deferred for one year and one day vacated by a fine and costs, subject to Ringo's not violating any gambling statutes or regulations during the one year period (April 2008 through April 2009). If the violation warranted administrative or criminal charges, the Director may impose the two-day suspension. (CR 2008-00082)

In October 2006, the licensee entered into a Settlement Order to resolve administrative charges for failing to timely disclose financial information. The licensee agreed to a three-day suspension, with one day deferred for one year and two days vacated by a fine and costs. (CR 2006-01539)

VIOLATIONS

RCW 9.46.075 Denying, suspending, or revoking an application, license or permit.

The Commission may suspend or revoke any license or permit issued by it, for any reason or reasons, it deems to be in the public interest. These reasons shall include, but not be limited to, cases wherein the licensee or any person with any interest therein:

The following subsection(s) apply:

(1) Has violated, failed or refused to comply with the provisions, requirements, conditions, limitations or duties imposed by chapter 9.46 RCW and any amendments thereto, or any rules adopted by the Commission pursuant thereto, or when a violation of any provision of chapter 9.46 RCW, or any Commission rule, has occurred upon any premises occupied or operated by any such person or over which he or she has substantial control.

(7) Makes a misrepresentation of, or fails to disclose, a material fact to the Commission.

WAC 230-03-085 Denying, suspending, or revoking an application, license or permit.

We may deny, suspend, or revoke license or permit, when the licensee, or anyone holding a substantial interest in the licensee's business or organization:

The following subsection(s) apply:

(1) Commits any act that constitutes grounds for denying, suspending, or revoking licenses or permits under RCW 9.46.075.

(3) Has demonstrated willful disregard for complying with ordinances, statutes, administrative rules, or court orders, whether at the local, state, or federal level.

(7) Fails to provide us with any information required under Commission rules within the time required, or, if the rule establishes no time limit, within thirty days after receiving a written request from us.

(8) Poses a threat to the effective regulation of gambling, or creates or increases the likelihood of unfair or illegal practices, methods, and activities in the conduct of gambling activities, as demonstrated by (a) Prior activities; or (b) Criminal record; or (c) Reputation; or (d) Habits; or (e) Associations.

WAC 230-15-730 Keeping an accounting system.

The following subsection(s) apply:

(1) House-banked card game licensees must keep and maintain a complete set of accounting records which we have approved before licensure. These records must include all receipts and disbursements of the licensee, including, at least, those related to gambling activities.

(2) Licensees must keep legible, accurate, and complete records of all transactions relating to the revenues, costs, and expenses of the gambling operation. Licensees must keep these records in a format that ensures consistency, comparability, and effective disclosure of financial information.

(4) Licensees must keep detailed, supporting, and subsidiary records including, at least:

(c) Records of amounts payable by the gambling operation.

On April 15, 2009, a Commission Special Agent warned the licensee about its failure to keep supporting documentation for expenditures made by Ringo's. However, between April 15, 2009, and June 8, 2009, the licensee failed to maintain supporting documentation for seven purchases on Ringo's credit/debit card, in violation of WAC 230-15-730.

Therefore, grounds exist to suspend or revoke Ringo's Little Vegas' gambling licenses under RCW 9.46.075(1) and (7) and WAC 230-03-085(1), (3), (7), and (8).

Grounds also exist to impose the five-day suspension deferred in the March 2009 Settlement Order.

WAC 230-06-035(1) Credit, loans, or gifts prohibited.

Licensees, employees, or members must not offer or give credit, loans, or gifts to any person playing in an authorized gambling activity or which makes it possible for any person to play in an authorized gambling activity.

Mr. Schaefer, Ringo's General Manager, Accounting Manager, and partial owner, extended credit to himself when he took \$100 from the lottery register and used it to play poker which caused Ringo's to violate WAC 230-06-035.

Mr. Schaefer's actions, habits, and reputation of taking money out of a register and putting it in his pocket, taking money from a register to play poker, and taking money from the lottery vending machine into his office instead of the cage also demonstrate that Mr. Schaefer creates or increases the likelihood of unfair or illegal practices, methods, and activities in the conduct of gambling activities.

Ringo's violated the April 2008 Settlement Order when Mr. Schaefer:

- a) Extended credit to himself to play poker which caused Ringo's to violate WAC 230-06-035(1); and
- b) Engaged in behavior that poses a threat to the effective regulation of gambling, or creates or increases the likelihood of unfair or illegal practices, methods, and activities in the conduct of gambling activities, as demonstrated by (a) Prior activities; or (b) Criminal record; or (c) Reputation; or (d) Habits; or (e) Associations.

Grounds, therefore, exist to impose the two-day suspension deferred in the April 2008 Settlement Order.

Therefore, grounds exist to suspend or revoke Ringo's Little Vegas' gambling licenses under RCW 9.46.075(1) and (7) and WAC 230-03-085(1), (3), (7), and (8).

RCW 9.46.170 False or misleading entries or statements, refusal to produce records.

Whoever, in any application for a license or in any book or record required to be maintained by the commission or in any report required to be submitted to the commission, shall make any false or misleading statement, or make any false or misleading entry or wilfully fail to maintain or make any entry required to be maintained or made, or who wilfully refuses to produce for inspection by the commission, or its designee, any book, record, or document required to be maintained or made by federal or state law, shall be guilty of a gross misdemeanor subject to the penalty set forth in RCW 9A.20.021.

WAC 230-06-107 Ownership changes — Allowed.

A licensee must report any change in ownership when the change would result in any person or organization becoming a substantial interest holder. Changes in ownership are allowed under the following conditions:

Ownership changes to be reported

(1) The following changes must be reported to us when:

- (a) A person or organization becomes a substantial interest holder when they were not a substantial interest holder immediately before the transaction; or
- (b) A substantial interest holder purchases any additional stock.

Reporting requirements

(2) Each notification must:

- (a) Be submitted in writing on a form provided by us within thirty days of the close of a change of ownership; and (b) Include the required fee; and (c) Include: (i) For corporations -- A copy of the meeting minutes detailing the change of ownership; or (ii) For limited liability companies (LLC) -- An amended LLC agreement that includes the new member(s).

New owners must qualify for a license

(3) The gambling license(s) of any corporation or LLC in which a person holds or acquires a substantial interest may be revoked if the new person is not qualified to hold a gambling license.

Review and investigation

(4) An investigation of each transaction will be conducted by us to determine the details of the transaction and the qualifications of each substantial interest holder.

Former WAC 230-04-340 Transfer of license- Conditions

Transfers of license issued by the Commission shall be permitted only under the following circumstances and conditions and those set out in WAC 230-04-350, upon approval by the Director or the Commission. Otherwise, no transfer of any license issued by the Commission shall be permitted.

(1) If the licensee is a corporation, except as provided in subsection (2) below, a change in ownership of stock shall not be deemed a transfer of a license: Provided, That any change in the ownership of any stock in such corporation which results in any person or organization becoming the owner of a substantial interest therein who was not the owner of a substantial interest immediately preceding the transaction, or which involves ten percent or more of any class of stock, shall be reported to the Commission, in writing, within ten days of the close of such transaction, together with such information concerning the person or persons receiving such stock as the director may require.

The licensee was required to disclose to Commission staff the August 2007 change in ownership of Mr. Schaefer's shares in Northwest Gaming, Inc. to Trustee Charles L. Smith. However, the licensee did not make known the change in ownership until August 2010. Additionally, the licensee has failed to timely provide Commission staff with any of the information required under WAC 230-06-107 and former WAC 230-04-340.

Since 2007, the licensee has misrepresented or failed to disclose a material fact to Commission staff, in violation of RCW 9.46.170. The licensee misrepresented that Thomas Schaefer was a 30.76 percent shareholder of Northwest Gaming, Inc. and failed to disclose a change in ownership in Northwest Gaming, Inc.

Therefore, grounds exist to suspend or revoke Ringo's Little Vegas' gambling licenses under RCW 9.46.075(1) and (7) and WAC 230-03-085(1), (3), (7), and (8).

Grounds also exist to impose the five-day suspension deferred in the March 2009 Settlement Order.

III.

The licensee acknowledges that it received the Notice of Administrative Charges issued in this case, and understands the facts and violations contained in it. While not admitting to the facts and violations specified above in section II, Ringo's agrees that if the Gambling Commission established the alleged facts in the case at issue, there would be sufficient evidence of the violations as stated in the administrative charges.

The licensee has waived its right to a hearing, based on the terms and conditions of this Settlement Order. The licensee agrees to the following terms and sanctions:

1) Thomas and Linda Schaefer shall have no involvement directly or indirectly, with any gambling activity or any involvement with Northwest Gaming, Inc. or Ringo's Little Vegas that would make Thomas or Linda Schaefer substantial interest holders, as defined in WAC 230-03-045.

Northwest Gaming, Inc. has submitted to Commission staff a Disclosure of Corporate Officers/Stockholders form, a Stock Change Application, and a Change in Management Notification. The form and applications state that Thomas and Linda Schaefer no longer own shares in Northwest Gaming, Inc. and Thomas Schaefer is no longer the Treasurer of Northwest Gaming, Inc.

2) The licensee's gambling licenses are hereby suspended for a period of **twelve (12) days**, provided that:

- a) **Seven (7) days** of the suspension shall not be currently served, but shall be deferred for a period of one year from the date of entry of this Settlement Order, subject to the following: The licensee agrees not to violate the terms of this Settlement Order, or any of Washington's gambling statutes or regulations during the one (1) year term. If the licensee violates this Settlement Order or gambling statutes or regulations, and if the

violation is the type that warrants the filing of administrative or criminal charges, then the Director may impose the seven-day deferred suspension of the current gambling licenses and any subsequently acquired gambling licenses.

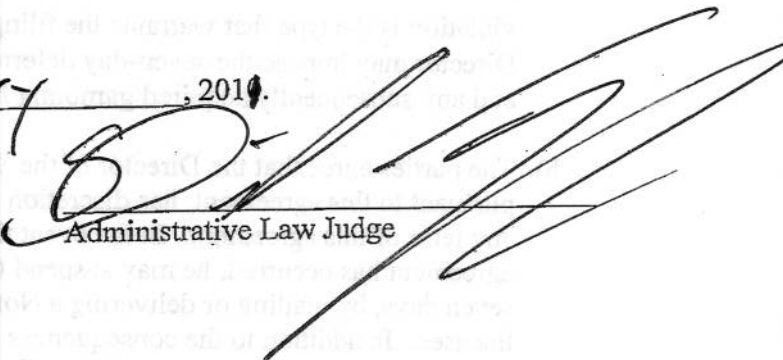
- b) The parties agree that the Director of the Washington State Gambling Commission, pursuant to this agreement, has discretion to determine whether the licensee has violated any term of this agreement. In the event the Director determines that a violation of this agreement has occurred, he may suspend the licenses issued to the licensee for up to seven days, by mailing or delivering a Notice of Order of Administrative Charges to the licensee. In addition to the consequences of the new violation, the deferred sentence shall also be served. The licensee shall be afforded the opportunity to have an Adjudicative Proceeding, which includes a hearing on the alleged violations.
 - c) The licensee has chosen to serve the remaining **five (5) days** of this suspension.
 - d) Additionally, the licensee agrees to serve **three (3) days** out of a total of seven suspension days previously deferred from the April 2008 and the March 2009 Settlement Orders.
 - e) A total of suspension of **eight (8) days** will be served as follows:
 - a) **The suspension days will be served from 8:00 a.m. on Wednesday, December 15, 2010, through Wednesday, December 22, 2010.**
 - b) The licensee may resume its gambling activities at 8:00 a.m. on Thursday, December 23, 2010.
 - c) **During this period of suspension, no gambling activities shall take place at the licensed premises.**
- 3) **The signed order must be received by Commission staff on or before December 14, 2010, and must be mailed to Commission Headquarters at the following address:**

Washington State Gambling Commission
Attention: Communications and Legal Division – Fines
P.O. Box 42400
Olympia, WA 98504-2400

or delivered (in person or via private courier) to the following address:

Washington State Gambling Commission
4565 7th Avenue SE; Fourth Floor
Attention: Communications and Legal Division – Fines
Lacey, WA 98503

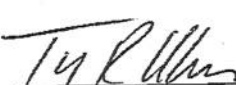
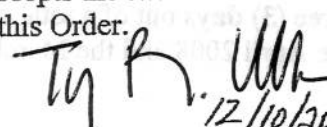
DATED this 12 day of January, 2010.



Administrative Law Judge

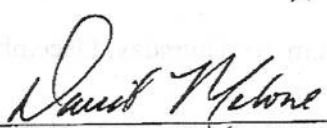
APPROVED FOR ENTRY:

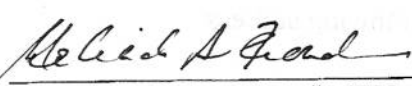
APPROVED AS TO FORM:

By the signature below, the licensee understands and accepts the terms and conditions of this Order.

  12/10/2010
Ty Ullman, President *PER TELEPHONE* (Date)
Ringo's Little Vegas *EMAIL AUTHORIZATION TO DAVE MALONE*

 12/13/2010
H. Bruce Marvin, WSBA #25152 (Date)
Assistant Attorney General,
Representing the Washington
State Gambling Commission

 12/10/2010
David Malone, WSBA #23435 (Date)
Miller Malone & Tellefson
Representing Ringo's Little Vegas


Melinda Froud, WSBA #26792
Lead Staff Attorney,
Washington State Gambling Commission